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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/609,598	06/29/2000	Jay S. Walker	00-023	1725
22927	7590	10/11/2005		
WALKER DIGITAL FIVE HIGH RIDGE PARK STAMFORD, CT 06905			EXAMINER THEIN, MARIA TERESA T	
			ART UNIT	PAPER NUMBER
			3627	
DATE MAILED: 10/11/2005				

Please find below and/or attached an Office communication concerning this application or proceeding.

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Office Action Summary

Application No.

09/609,598

Applicant(s)

WALKER ET AL.

Examiner

Marissa Thein

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 11 July 2005.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-64, 67 and 68 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-64, 67 and 68 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____.
- 4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

DETAILED ACTION

Response to Amendment

Applicants' "Amendment and Response" filed July 11, 2005 has been considered with the following effect.

Claims 1, 55, and 58-60 are amended. Claims 65-66 are canceled. New claim 67 is added. Claims 1-64 and 67-68 remain pending in this application.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Claims 1, 55, 58-60 and 67-68 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention. The recitations "wherein no buyer preference is indicated among the plurality of products in each of the plurality of categories" and "wherein the offer amount may differ from an offer amount defined by another buyer for the same first and second sets of products" are not supported in the specification.

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-64 and 67-68 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209

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USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the

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"technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a

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§101 rejection finding the claimed invention to be non-statutory. See Ex parte Bowman, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, claims 1-64 and 67-68 have no connection to the technological arts. For example claim 1, none of the steps indicate any connection to a computer or technology. The steps of receiving, selecting and providing are broadly interpreted as manual steps. Therefore, the claims are directed towards non-statutory subject matter, i.e. not within technological arts. To overcome this rejection the Examiner recommends that Applicant amend the claims to better clarify which of the steps are being performed within the technological arts, such as using a digital computing device.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-64 and 67-68 are rejected under 35 U.S.C. 103(a) as being unpatentable over the website www.peapod.com in view of U.S. Patent No. 5,566,327 to Sehr.

Claims 1, 55, 58, and 60, www.peapod.com discloses a method, an apparatus, a medium storing instructions of facilitating transaction comprising: processor (pages 51-56); storage device (pages 51-56); receiving an indication of a plurality of product categories each product category being associated with a plurality of products (deli,

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bakeshop, dairy, snacks, etc, page 15; click on the find item icon, pages 15-16, we are linked into the grocer's main frame computer....are as indicators of what items are on sale); selecting (enter the name of the item, page 16), via a controller (computer/modem), a subset of the plurality of products for each of the product categories (pages 16-17) associated with the offer amount (estimated grocery total, page 23); and providing an indication of the selected products (pages 16-17).

However, www.peapod.com does not explicitly disclose the receiving a buyer offer information, including an indication of an offer amount associated with the plurality of product categories, wherein no buyer preference is indicated among the plurality of products in each of the plurality of categories. Www.peapod.com discloses the estimated grocery total (page 23) and the members can shop by category (page 47).

Sehr, on the other hand, teaches the receiving a buyer offer information, including an indication of an offer amount associated with the plurality of product categories, wherein no buyer preference is indicated among the plurality of products in each of the plurality of categories (col. 3, line 61-col. 4, line 9).

Therefore, It would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the method of www.peapod.com, to include the receiving a buyer offer information, including an indication of an offer amount associated with the plurality of product categories, wherein no buyer preference is indicated among the plurality of products in each of the plurality of categories, as taught by Sehr, in order to contain cost (Sehr, col. 1, lines 26-27) and making information that relates to the customer's buying behavior available (Sehr, col. 1, lines 30-31), thus

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providing products and services that fit customer particular desires (Sehr, col. 1, lines 34-35).

Regarding claims 2-18, 28-33, www.peapod.com discloses receiving the indication of the plurality of product categories from the buyer (membership, shopper) (page 15; membership access to over 20,000 grocery and drugstore items with the click of your mouse, page 4); communication network, internet, web site, a telephone network, a wireless network, and proprietary network (www.peapod.com); a buyer device, a personal computer, a personal digital assistant, a telephone, a controller, a merchant device, kiosk, interactive voice response unit, an operator, a point of sale terminal, and an automated teller machine device (computer (modem or internet); telephone, page 4); product description and each product comprises a product brand associated with the product description (pages 16-17); indication of a plurality of acceptable products (pages 16-17); products is retrieved from a database (pages 16-17); products and the buyer offer information are received with respect to a single transaction (estimated grocery total, page 23); receiving the buyer offer information from a buyer (page 23); binding offer (page 23 and page 25); a buyer-defined offer amount (page 23 and page 25); a plurality of product category offer amounts (pages 23-25); a selection from a list of suggested offer amount (pages 23-25); selecting a particular for at least one of the product categories (pages 16-17); a transaction history associated with a buyer (last order, page 15), an address associated with the buyer, demographic information associated with the buyer, psychographic information associated with the buyer, a credit rating, and an other offer associated with the buyer (page 19, page 21,

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page 22); selecting at least one of the products based on the offer amount (pages 22-23); providing the indication to the selected products to a buyer (pages 15-17); providing the indication of the selected products to a merchant (page 25); single communication network (pages 4-8); first communication network (pages 4-8); second communication network (pages 4-8).

Regarding claims 19-27, www.peapod.com discloses the subsidy (coupons, online electronic discounts, and retailer preferred customer discounts); associated with one of the selected products; associated one product not selected; associated with a manufacturer; the manufacturer provides payment of a subsidy amount on a product-by-product basis; subsidy based on a predetermined number of products being sold; predetermined percentage of products being sold; and a combination of products being sold; a buyer, a controller, and a merchant; subsidy is associated with a product identifier, product category, a product manufacturer, a product brand, etc.; and tracking subsidies applied to the transaction (see at least page 4, page 22; page 23, page 25).

Regarding claims 34-41, 47-48, and 61-64, www.peapod.com discloses evaluating the buyer offer information based on the offer amount (pages 22-23 and page 25); evaluating is based on transaction history associated with a buyer, an address associated with the buyer, demographic information, psychographic information, a credit rating, another offer associated with the buyer, and indication of a plurality of merchants; calculating a probability than an offer will be accepted based on the offer amount, and at least one minimum acceptable price associated with the selected products; one minimum acceptable price associated with the selected

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products; the minimum acceptable price is based on a product cost and a product retail price; calculating a total minimum acceptable price based on the sum of each minimum acceptable price (subtotal); comparing the total minimum acceptable price to the offer amount (estimated grocery total); applying a penalty (fee) to the buyer based on the evaluation (peapod fee, page 23); determining that the buyer offer information is not acceptable (page 23); providing a suggested modification to the buyer offer information (page 23); and the suggested modification comprises a modified offer, a modified plurality of product categories; and a modified plurality of products associated with at least one product category (page 23). (See at least pages 4-8; page 23; page 25; pages 41-45)

Regarding claims 42-46, www.peapod.com discloses evaluating is further based on a subsidy; determining the subsidy based on the plurality of product categories; selecting the subsidy from a plurality of potential subsidies; the subsidy based on information associated with a buyer subsidy is associated with a product identifier, product category, a product manufacturer, a product brand, etc.; and tracking subsidies applied to the transaction (see at least page 4, page 22; page 23, page 25).

Regarding claims 49-54, www.peapod.com discloses arranging for a buyer to provide payment (payment method) of an amount based on an offer amount (page 25); arranging comprises arranging to receive payment from the buyer (page 25); arranged to provide payment to a merchant (page 25); and the buyer to provide payment to a merchant (page 25); transmitting information (sending order) enabling a buyer to take

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possession of the selected products at a merchant (page 25); and arranged for the selected products to be delivered to a buyer (delivery information, page 25).

Regarding claims 56-57, www.peapod.com discloses a communication device coupled to the processor and adapted to communicate with at least one of: a buyer device, merchant device, a subsidy provider device and a payment processing device (see at least pages 51-56; pages 4-8).

Regarding claim 59, www.peapod.com discloses a computer-implemented method of facilitating the sale of products, comprising: receiving from a buyer a payment identifier (preferred payment method, check, credit card, or electronic debit from your checking, page 25); receiving from the buyer an indication of a first product category associated with a first set of products (page 16 and page 21); receiving from the buyer an indication of a second product category associated with a second set of products (page 17 and page 22); receiving from the buyer a binding buyer offer, including an indication of an offer amount (estimated grocery total) associated with the first set of products and the second set of products (page 17 and page 21); selecting a first product from the first set of products associated with the offer amount (page 16 and page 21); selecting a second product from the second set of products wherein at least one of the first product and the second product are selected based on an associated subsidy (electronic coupons) (page 17 and pages 21-22); evaluating the buyer offer based on the offer amount (page 23); arranging for the buyer to provide payment of an amount based on the offer amount using the payment identifier (payment method) (page 25); providing to the buyer an indication of the first product and the second product

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(pages 16-17 and page 21); and transmitting information enabling the buyer to take possession of the first product and the second product at a merchant (pages 24-25).

Regarding claims 67-68, www.peapod.com substantially discloses the claimed invention, however, it does not explicitly disclose the receiving an offer from the buyer, the offer including an offer price defined by the buyer. However, www.peapod.com does not explicitly disclose the receiving an offer from the buyer, the offer including an offer price defined by the buyer. Www.peapod.com discloses the estimated grocery total (page 23) and the members can shop by category (page 47).

Sehr, on the other hand, teaches the receiving an offer from the buyer, the offer including an offer price defined by the buyer (col. 3, line 61-col. 4, line 9).

Therefore, It would have been obvious to one of ordinary skill in the art at the time of the invention was made to modify the method of www.peapod.com, to include the receiving a buyer offer information, including the receiving an offer from the buyer, the offer including an offer price defined by the buyer, as taught by Sehr, in order to contain cost (Sehr, col. 1, lines 26-27) and making information that relates to the customer's buying behavior available (Sehr, col. 1, lines 30-31), thus providing products and services that fit customer particular desires (Sehr, col. 1, lines 34-35).

Response to Arguments

Applicant's arguments with respect to claims 1-64 have been considered but are moot in view of the new ground(s) of rejection.

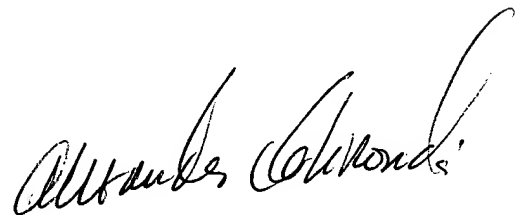
Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Marissa Thein whose telephone number is 571-272-6764. The examiner can normally be reached on M-F 8:00-5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Alex Kalinowski can be reached on 571-272-6771. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

Mtot
October 3, 2005



ALEXANDER KALINOWSKI
PRIMARY EXAMINER